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April 14, 2006

Janise Zygmunt, Staff Officer
Federal-State Marketing Improvement Program
USDA Agricultural Marketing Service
1400 Independence Avenue, S.W.
Room 4009-South
Washington, DC 20250
E-mail: janise.zygmunt@usda.gov

Dear Ms. Zygmunt:

In compliance with the FSMIP funding requirements, we are pleased to submit the following final report for our 2004 FSMIP project, Winrock International cost center 5551. This report covers the period 3/1/05 – 12/31/05 (which includes the requested extension dates).

Thank you for providing funds for the Arkansas State Plant Board and Winrock International to work on this important development project.

Sincerely,

A handwritten signature in black ink, appearing to read 'Annett Pagan', is written over a light blue horizontal line.

Annett Pagan
Managing Director

Enclosure

cc: Tim Ellison, Arkansas State Plant Board

Tactical Marketing Strategies for Arkansas Vegetable & Specialty Crop Farmers
FSMIP II – 2004 Project
Final Report
3/1/05 – 12/31/05

1. Issue or problem

A number of issues and problems surfaced during the first Arkansas State Plant Board/Winrock International FSMIP-funded project, which involved bringing together regional members of existing cooperatives. It was discovered that each region had both similar and different issues and interests; however, three serious problems are shared across the region:

1. Difficulties in accessing marketing and distribution channels
2. Lack of access to storage and distribution facilities
3. An absence of exposure to high profile, pertinent trade shows and a lack of understanding of how to successfully work trade shows to generate sales leads and identify qualified, reputable brokers.

Other notable issues revealed include:

- Young people are not going into the industry, although there is a tremendous interest from existing farmers to attract young people to farming
- Most farmers have had bad experiences with brokers and transportation providers
- There are problems with management and operation under the traditional cooperative legal model

A combination of all these problems has led to major brokers skipping Arkansas and to some extent Mississippi in the purchasing cycle.

2. How the issue or problem was approached via the project

Problems 1 and 3 – Lack of access to marketing and distribution channels and absence of presence at major trade shows

The project addressed the issues of: **Market Analysis, Transportation and Distribution, Competitiveness and New Markets, Quality and Variety**. Most states are miles ahead of Arkansas in working effectively with their vegetable and specialty crop farmers; therefore, the relevance and meaning of the FSMIP priority areas are directly related to the targeted farmers, although they may not be as meaningful for other states' farmers, who may be more advanced in terms of accessing technologies. Research into these priority areas has been almost non-existent in Arkansas. Market analysis showed that issues of quality and yield had to be addressed as well as the issue of green versus cured potatoes and the sales available for each. Contracts were obtained with Gerber Foods only after extensive work was completed on the issues of quality (the farmers are now Gerber certified growers due to a lot of technical assistance) and infrastructure issue was finally resolved, and contracts with Glory Foods for green potatoes during the holiday season again after certain quality issues were addressed.

This project addressed these two issues, and built on the success of the first FSMIP-funded project, which successfully united three regional farmers' networks to offer joint solutions to problems encountered by the individual existing cooperatives and their members. During

performance of that FSMIP-funded project, implementers built strong relationships with members of existing regional cooperatives, gaining trust and getting the groups to work together for the first time to learn more about why some cooperatives are highly successful like Riceland Foods, and Producers Rice, while others fail because of mismanagement and theft for example cooperatives related to Catfish Industry in Arkansas.

Based upon needs identified under the first FSMIP project outlined above these critical problems would take multi-level funding to address. Winrock International brings a wealth of marketing and promotion knowledge to the table while we are in a unique position to bring other highly qualified partners to the table with expertise in addressing infrastructure issues. Therefore, due to expectations of the farmers and requests for critical additional assistance, it was deemed imperative to continue the work started in the first FSMIP-funded project.

The partners of the project, the Arkansas State Plant Board, Winrock International's Arkansas Rural Enterprise Center, the University of Arkansas at Pine Bluff and Delta Center for Rural Development, were in a position to set into motion a series of activities and tasks to address the issue of infrastructure this problem and the solution is outlined in section 3.

3. Contribution of public or private agency cooperators

Problem 2 – Infrastructure -The Missing Link

In addition to solving problems 1 and 3 with activities conducted under the FSMIP grant, as stated above Winrock International was able to bring in partners with expertise in developing infrastructure which addressed problem 2 which turned out to be one of the key issues identified.

The following is a report on the work that CARC&D, and Arkansas Delta Marketing Association, LLC with Winrock International's leadership and guidance accomplished during this project.

Central Arkansas Resource Conservation and Development (CARC&D) and the Arkansas Delta Marketing Association, LLC located in Helena, Arkansas, were major contributors to the success of the program. Central Arkansas RC&D is a grass roots non-profit organization that has administered over \$17 million in projects over the past seven years. The Arkansas Delta Produce Marketing Association, Inc. is composed of some twenty-five minority vegetable producers in Lee, Monroe, and Phillips counties. They are a production and marketing for-profit firm focused on quality, yield, transporting, marketing, and sales of the produce.

The Central Arkansas Resource Conservation and Development Council, Inc. (CARCDC), in partnership with Winrock International, and the Arkansas Delta Produce Marketing Association, Inc. raised capital to construct a Sweet Potato Storage Facility in West Helena, Arkansas. CARCDC, a 501 c 3 non-profit organization, will construct, own, and operate the facility. Arkansas Delta Produce Marketing Association, Inc., working under the guidance of Winrock International, formed a for-profit organization, which will lease storage space from the Council for the storage of sweet potatoes.

The research conducted over the past 2 years resulted in the creation of a new generation business model, where one non-profit with expertise in infrastructure projects raises capital, constructs, and operates infrastructure needed to help provide meaningful assistance to the underserved public within the delta region of Arkansas. Because of the high cost of building this facility, other start-up costs and the demands of training a qualified staff to operate the facility, the fledgling for-profit could never raise enough capital to build the facility and produce the crop. The other critical component of the business model is that while the facility is under construction, and start-up the other non-profit with expertise in assisting small to medium size for-profit enterprises works with a new for-profit company to develop a business and marketing plan, and obtain working capital.

Currently producers are limited to 24 days to market their sweet potatoes following harvest. Harvest is typically when demand is lowest and supply is highest, thus resulting in low prices. The storage facility will allow growers up to 12 months to market their crops when prices are much higher. The newly formed for-profit will focus on qualifying growers, getting production volumes and quality up, and will focus on the all important marketing of the sweet potatoes. Central AR. RC&D will also lease the for-profit office space and help them maintain their marketing records. This close relationship will provide both the non-profit and the for-profit with a good understanding of what it takes for the companies to survive and remain in business over time.

Central AR. RC&D will not only provide the storage space, but when shipping orders are received, grade, package, and load for shipment. In addition, at cost, the Council will provide to producers sweet potato slips for planting. The Council will also have planting and harvest equipment and crews available for producers until they have the capital to purchase their own equipment, or other for-profit vendors emerge who are willing to provide planting and harvest assistance.

The Council is securing a 40 year lease from the cities of Helena and West Helena on twenty acres of property located at the West Helena Airport. We will have the option of renewing the lease after the first 40 years. Ten acres will be used for the facility and ten acres for the production of slips. As the project matures, it is anticipated that private vendors will emerge who produce slips. At that time it is hopeful we will be ready to construct value added facilities for sweet potatoes.

The storage facility will have the capacity to store 300,000 bushels of sweet potatoes. The facility will have shipping and receiving capability. The facility will have the equipment necessary to grade, wash, and package the potatoes. The facility will employ three full time people, and employ approximately 27 people during shipping and receiving. We anticipate potatoes will be shipped weekly throughout the year. The facility will be complete in the fall of 2006. Over the 2 year period \$2.5 million was raised from the following sources EDA, USDA/RDA, Southern Financial Partners, a non-profit bank located in Arkansas, Walton Foundation, and a federal appropriation.

Under the FSMIP project Winrock International was able to secure a contract between the Arkansas Delta Marketing LLC and Gerber Foods located in Fort Smith Arkansas. Gerber the

largest baby food producer in the world buys only dried, cured sweet potatoes, purchase begins in December and runs through June. Southern Financial Partners, will be offering farm loans and working capital to the farmers who are members of the marketing firm.

4. Results, conclusions and lessons learned

Results:

Because of activities from this project and associated projects:

- Farmers in the targeted area have formed an LLC to produce, and market their produce.
- Members of the LLC attended three major trade shows and are scheduled to attend another in May 2006. These trade shows are major sources of sales contacts for the farmers. This can serve as a model for other industries as well. How to get the most from a trade show was a critical piece of the on the job training conducted by Winrock International's certified trade show exhibitor.
- The farmers are receiving technical assistance from a well-known former professor in the Agricultural Department of Louisiana State University. This technical assistance has helped the farmers improve the quality and quantity of their sweet potato crops. Their association with Dr. Mulkey has also helped improve their reputation in the sweet potato business overall.
- The LLC has sales agreements with two major buyers: Gerber Foods in Fort Smith, Arkansas, and Glory Foods in Dallas, Texas. These are critically important anchor contracts. Farmers Markets will be selling number one potatoes as well.
- A \$2.5 million dollar sweet potato storage and curing facility, will be located in Phillips County in time for the 2006 crop harvest. This facility will enable the farmers to provide sweet potatoes to buyers throughout the year, thus taking advantage of higher prices during the off-season.
- Research is being conducted to determine best, next, value-added opportunity for sweet potatoes.
- Non-Profits with an understanding of how to utilize scarce federal dollars from multiple agencies and multiple programs within agencies is key to developing a comprehensive approach to these types of economic development projects. Also key is that developers have experience in facilitating agreement among all stakeholders on approach.
- It is important for federal agencies to appreciate how a small amount of funding if used wisely can cause private sector investment. It is also important for the agencies to not only look at the deliverables of the grant they are funding, but to examine the overall success of projects like this one and others where multiple funding sources was utilized, multiple partners with different skills sets came together.
- A new business model was created that can be duplicated in other industries, in other locations and federal agencies can help pass along the model to others struggling with a similar situations.

Conclusions and Lessons Learned:

- Forming the Arkansas Delta Produce Marketing Association LLC has been a successful method of bringing the farmers in the target area together to benefit from the networking opportunities that have been presented to them.
- Attending major trade shows is an excellent way to make direct contact with buyers of the farmers' products.
- The storage and curing facility will enable the farmers to take advantage of higher prices during the off-season, which will bring a higher return on investment to the farmers.
- These farmers have not had the best of luck with brokers. Often it is easier to go directly to the buyers and makes arrangements for them to test their products, and then based on the results of those tests; get the contracts with those buyers. Direct sales have been made to Glory Foods and Gerber Foods.
- Documented the process of developing a new business model where a partnership emerged between a strong non-profit to provide needed infrastructure with a new and fledgling for-profit focused on quality production and marketing
- Developed a how to guide on non-profit financing of an infrastructure project with public/private funding.

5. Current or future benefits to be derived from the project

- Since the LLC was formed, they have made contact with two major buyers and have made deliveries of their products (see ***Attachment 3*** for recent publicity on Gerber Foods deal).
- Relationship with sweet potato expert (Dr. Bill Mulkey) has resulted in improved reputation for the LLC, as well as improved growing conditions, bringing about improved quality and increased crop yields. These improvements to crop yields will allow the farmers to sell to more companies.
- The storage and curing facility will allow the farmers to have a year-round crop, and give them an advantage of selling their product during off-season times, when prices are higher.

6. Additional information available (publications, websites)

A promotional piece for the Association included as ***Attachment 2***. The LLC will be attending the United Foods Produce show in Chicago in early May, and will be distributing this promotional piece.

A website is being considered. At this time there are no funds available for this website; however, if we generate enough interest Winrock International will check available resources. This type of promotion would be very beneficial to the Association.

7. Recommendations for future research needed, if applicable

To complement activities already accomplished by the first and second year FSMIP projects, it has been determined that there is a need to investigate and evaluate consumer response to certain vegetable and specialty crops produced by minority and limited resource farmers in the Delta Region of Arkansas. Marketing these crops is critical to improving the profitability of these farmers who are living in the most economically depressed area of the state. FSMIP has already awarded a third round of funding for activities that will address this need.

Through the latest FSMIP project, we will review primary research and perform secondary research in order to evaluate the consumer's preferences to how vegetables and specialty crops are produced, packaged, and promoted. Major buyers and farmers markets have been identified and have agreed to help conduct the surveys and help evaluate the results.

The project will use research already performed in attempt to deliver key information to individual farmers that will enable them to target their consumer audience with the products most in demand. In addition, we will perform secondary research in the form of surveys to determine the consumer demand for product type, quality, and diversity. Once the market research is conducted and interpreted, staff will serve as technical assistance providers to farmers in production activities related to increasing sales.

The Arkansas Plant Board's marketing division will work in partnership with Winrock International's Arkansas Rural Enterprise Center and the Central Arkansas RC&D to maximize utilization of limited technical assistance resources.

What are the next steps for Winrock International's work with the Arkansas Delta Marketing Association, LLC.?

- Develop a strong business plan (volunteer consultants from the Clinton School of Public Policy working on this now)
- Obtain working capital (already in discussions with Southern Financial Partners)
- Conduct training on how to use sophisticated software purchased under another federal grant to better utilize the database of customers, brokers, and farmers developed under this FSMIP, and to enter and track sales leads generated at major trade shows, and to track inventory from the field farmers level through the processing facility, and out to the final customer.

8. Contact person for the project with telephone number and e-mail address

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9. A brief description of the project beneficiaries, including the number, type and scale of producers

Some 29 farmers have been identified in the target area (Lee, Phillips and Monroe Counties in eastern Arkansas), and together hold more than 14,000 acres that are currently being used for vegetable crops or could be converted to vegetable crops (*see Exhibit 1*). These are limited resource, minority farmers, many of whom have had several generations of farmers in their families. Those who have larger acreages are currently planting soybeans, rice or cotton; however, as markets become more readily available, they are planting more vegetable and specialty crops.

Project Activities from Scope of Work:

1. **Develop a database of qualified farmers and acreage available for growing each crop previously identified.**

A listing of qualified farmers from the database follows as ***Exhibit 1***. This information is being refined, and more data is being added regarding products raised, markets being used, etc.

Exhibit 1. Growers List for Lee, Phillips and Monroe Counties, Arkansas

<u>Name</u>	<u>County</u>	<u>Acres</u>
1) Harvey Williams and Sons	Lee	250
2) Ben Anthony	Lee	120
3) Raymond Gilmore	Lee	800
4) Israel Gordon	Lee	1200
5) Joseph Perry	Lee	20
6) Theodis Pointer	Lee	5
7) Bobby Holmes	Lee	300
8) Johnnie Anderson	Lee	5
9) Eddie Stevens	Lee	20
10) Andre Peer	Lee	300
11) Mary L. Smith	Lee	10
12) Earnest Bradley	Phillips	700
13) Cox Brothers	Phillips	3000
14) Earnest Larry	Phillips	800
15) Floyd Morrow	Phillips	2500
16) Thomas Wright	Phillips	175
17) Cleveland Martin	Phillips	600
18) Elihue Thomas	Phillips	25
19) Tim Owens	Phillips	25
20) Charlie Billingsley	Phillips	160
21) Cleo Jackson	Phillips	500
22) Charles Smith	Phillips	300
23) Victor Zachary	Phillips	1300
24) Melvin Williams	Monroe	50
25) C.J. Floyd	Monroe	50
26) Harrison Armstrong	Monroe	80
27) Wesley Harvey	Monroe	75
28) Elmo McMillan	Monroe	75
29) Terrance Scott	Monroe	<u>800</u>
Total Acreage Available		14,245

2. Develop a database of qualified brokers.

A listing of brokers has been compiled and follows as ***Exhibit 2***. This listing will be added to as additional brokers are identified. It should be noted here that these brokers contacted the association while they were attending the Produce Marketing Association Fresh Summit held in Atlanta, and the United Fresh Fruit and Vegetable Association trade show held in Chicago. Although contacts with some brokers show some benefits, these farmers have had to demonstrate the quality of their products directly to the buyers. They have had more success going directly to the companies who will be using their products than by going through brokers to make sales.

Exhibit 2. Broker List

<u>Name</u>	<u>Contact</u>
Allen Lund Company, Inc.	nora@allenlund.com
Capitol City Fruit	keith@capitalcityfruit.com
Corbin Muse, Inc.	alibimbr@aol.com
CustomPak, Inc.	dianeh@custompak.net
Lake Norman Harvest Market	704-799-3545
Midway Produce, Inc.	janrinehart@new.rr.com
Nutra-Park	carson@nutrapark.com
Rast Produce Company, Inc.	rastproco@aol.com
Paul Adams	pauladams100@comcast.net
Linda Cunningham	Linda@cunninghamgrp.com
S. Edwa	sedwa@scscertified.com
Rick Gee	rgee@keyfoods-services.com
Bill Gerlach	billgerlach@melissas.com
Karl Hampton	syrisiafood@aol.com
Tedd Heilmann	Tedd.heilmann@organicvalley.com
Marissa Jackson	roxy-valentine@yahoo.com
Jim Margiotta	jimmargiotta@mac.com
Joyce Marker	jmjmarks@aol.com
Ernie McCullough	wcmccullough@arby's.com
Dennis Moleta	dmoleta@casey-communications.com
Jerry Motelow	motelow@aol.com
Paul Switzer	txcorral@aol.com
Charles Walker	Charleswalker@worldnet.att.net
Bryan Welch	bryanewelch@gmail.com
Glory Young	yhotto@hanmail.net

3. Research and create a recommended list of trade shows

Two major trade shows have been identified and it is recommended that the farmers attend and exhibit at these two shows. Although these associations and others have smaller local trade shows, it is recommended that the farmers attend and/or exhibit at these two because they will be getting a greater return on investment for their trade show dollars spent.

- 1) The United Fresh Fruit and Vegetable Association holds an annual trade show in Chicago, Illinois at the McCormick Place Convention Center. This show gives attendees and exhibitors the best of both worlds – a produce trade show and convention more comprehensive than any other, combined with unlimited opportunities to see exhibits and gain new ideas from the world of food marketing. Attendees are given the opportunity to have the chance to learn and network with more than 30,000 food industry leaders from around the world.
- 2) The Produce Marketing Association sponsors Fresh Summit, which is held in different locations each year. In 2005, it was held in Atlanta; in 2006 it will be in San Diego. At this show, more than 17,000 participants throughout the global fresh produce and floral supply chains come together as a community to learn, network, build relationships, and do business. At Fresh Summit, attendees will:
 - Gain new ideas to increase consumption through the Fresh Ideas Marketplace
 - Reduce costs and grow revenues with product and service solutions from more than 800 Fresh Summit exhibitors
 - Sharpen their competitive edge by participating with industry peers in more than 30 educational sessions
 - See the latest market trends by participating in one of two Workshops on Wheels tours to local produce and floral operations
 - Network with leaders from throughout the supply chain to exchange information about the key issues you face



Arkansas Delta Produce Marketing Association exhibited at Fresh Summit 2005 in Atlanta, GA

4. Create templates for promotional materials for use at major trade shows.

Promotional materials are an essential part of exhibiting at trade shows. However, a current trend has been noted in that trade show attendees are reluctant to take home large volumes of printed materials. With this fact in mind, we developed a small hand-out with contact information (*see Attachment A*), and business cards that are available to anyone stopping by the booth. We have also put together a promotional piece that gives contact information for the association, and provides recipes using the farmers' products (*see Attachment B*). We hope that this publication will be well received at the farmers' next trade show.

Perhaps the best "draw" to bring attendees into the booth is the availability of product samples, in this case, in the form of sweet potato French fries. The booth workers made these samples fresh each day at the United Produce trade show in May, 2005. We believe the availability of these samples increased booth traffic by more than 200%.

We have also developed a small brochure that gives contact information, nutritional information about the farmers' products, and recipes using their products as ingredients. We believe this publication will be popular among show attendees. This publication will be available for the farmers' next trade show, which is in May, 2006.

Please note the SF 269 Final Financial Status Report accompanies this narrative report. The final SF270 Request for Reimbursement was recently submitted.